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2024 Legislative Session Ends: Multiple Provisions Signed into Law Benefiting PSRS/PEERS Members

During the 2024 Missouri legislative session that began Wednesday January, 3, 2024, the General Assembly introduced more than 2,500 pieces of legislation. PSRS/PEERS closely monitored over 110 of those pieces of legislation and completed 80 fiscal impact requests.

The session concluded on Friday, May 17, 2024, marking a historic low in the number of bills sent to the governor's desk. A mere 28 non-appropriations bills and 18 other bills were passed. The prior record for the fewest bills passed occurred in 2020, when the COVID-19 pandemic significantly shortened the legislative session. Ultimately, no legislation passed that negatively impacts PSRS/PEERS or our members.

Provisions that Passed: Impacts on Working After Retirement

Governor Parson signed Senate Bill 727 into law on May 8, 2024. Three of the bill's provisions positively impact PSRS/PEERS and our retired members who work after retirement.

These provisions go into effect August 28, 2024, and include the following changes:

Modernized Penalty for Exceeding Post-Retirement Work Limits

Retirees working for covered employers who exceed a work limit will be required to repay to PSRS/PEERS the amount earned in excess of the limit, or the entire amount of their monthly benefit for any month during which the limit is exceeded, whichever is less. This is a modernization of the current law that requires a member to forfeit a minimum of one full monthly benefit payment when a limit is exceeded.

New Work Options for Disability Retirees Under Age 60

Disability retirees younger than age 60 will be able to work for PSRS/PEERS-covered employers. Until they reach age 60, their earnings continue to be subject to the substantial gainful activity limit for non-blind Social Security Disability Insurance (SSDI) benefits, which is set by the Social Security Administration. Prior to the passage of this provision, disability retirees younger than 60 could not work in any capacity for a PSRS/PEERS-covered employer.

New Option for Local School Boards to Set PSRS 50% Post-Retirement Salary Limit

In cases when a PSRS retiree is working in a position that is not on the employer's salary schedule or when the employer doesn't use one, the local school board may set the 50% salary percent salary limit for the position, with approval from PSRS/PEERS.

Provisions that Did Not Pass: Higher PSRS Benefit Factor and Investment Policy

PSRS/PEERS also tracked several pieces of legislation that did not pass. None of these bills were sent to the governor.

2.6% PSRS Benefit Factor

Senate Bill 898 sought to establish a 2.6% benefit factor for new PSRS retirees with 33 years or more of service. Last year, Governor Parson signed into law the reinstatement of the 2.55% benefit factor for PSRS members who retired with 32 years or more of service.

Increase in Number of Non-Certificated Critical Shortage Hires Allowed

Senate Bill 898 also contained a provision that would have increased the number of non-certificated Critical Shortage Employment positions an employer can hire by raising the cap on these positions to 1% of the total certificated and non-certificated staff, or five individual PEERS retirees, whichever is greater. The current cap is 10% of the non-certificated staff, not to exceed five individual PEERS retirees. Similar language was signed into law last year for certificated Critical Shortage positions.

Investment Policy

Both House Bill 1937 and Senate Bill 1113 would have put policies into law that ensured that investments and proxy votes of public pension systems are undertaken for the economic interests of members, and not for any other objective. Both bills were supported by PSRS/PEERS.

Senate Bill 898 included a provision that would have required divestment from investments that are prohibited by federal law. PSRS/PEERS already complies with the language that was proposed in this bill and the federal law in question. PSRS/PEERS has also maintained an Anti-Terrorism and Economic Sanctions Policy **for almost two decades.**

Several pieces of legislation were also filed that would have required divestment based on parameters laid out in the bills. Depending upon the language, those pieces of legislation could have had a substantial negative impact on the financial condition of PSRS/PEERS.



Investing in the U.S. Stock Market

The fiscal year reporting period for PSRS/PEERS ends each June 30. As of March 31, 2024, the Systems had completed three-fourths of fiscal year 2024 with solid investment returns as global equity markets continue to hit all-time highs. The estimated PSRS/PEERS investment return for fiscal year 2024 (July 1, 2023, through March 31, 2024) was approximately 8.8%.

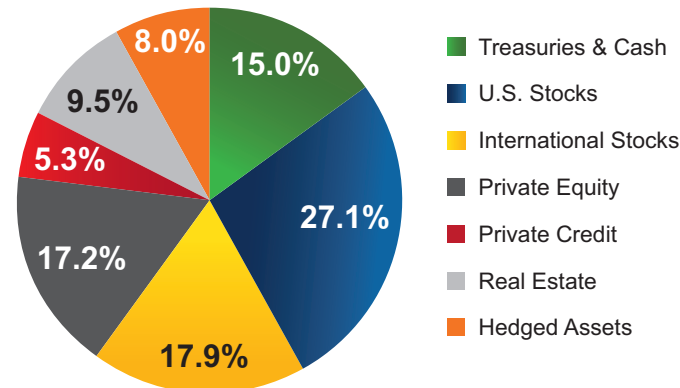
Despite the strong stock market, uncertainty exists as investors are faced with continued high inflation, higher interest rates, geopolitical issues and a contentious U.S. election cycle. However, our investment philosophy is designed with times like this in mind.

PSRS/PEERS' Investment Philosophy

We believe that the best long-term, risk-adjusted returns can be achieved by investing in a broad and diversified portfolio. As the pie chart on this page indicates, the PSRS/PEERS portfolio is spread across multiple asset classes in both public and private investments throughout the world. A diversified portfolio provides balance in uncertain market environments. Ours includes a significant distribution to return-seeking assets such as stocks and private equity, but also a healthy allocation to lower-risk and more stable investments such as Treasury securities, cash and hedged assets.

Through market cycles of highs and lows, each asset class performs a valuable function. The primary objective of an investment in U.S. stocks is to provide long-term capital appreciation and dividend income to PSRS/PEERS. Over 27% of our current portfolio is invested in publicly traded U.S. stocks, including the "Magnificent Seven" stocks, which are discussed in more detail in the next section.

**PSRS/PEERS Asset Allocation
as of March 31, 2024**



The U.S. Stock Market and the "Magnificent Seven"

Mentions of the "Magnificent Seven" have dominated the financial press over the past year. The term "Magnificent Seven" (or "Mag 7" for short) was coined in May 2023 to describe seven high-growth tech and tech-adjacent companies – Apple, Amazon, Alphabet (Google), Meta (Facebook), Microsoft, Nvidia and Tesla. Collectively, these seven stocks accounted for 29% of the Standard and Poor's 500 (S&P 500) Index as of March 31, 2024, up from 13% only a decade ago.

The S&P 500 is a stock market index that tracks the stock market performance of 500 of the largest companies listed on stock exchanges in the United States. We have never before witnessed – over any 10-year period – an increase in stock market concentration of this magnitude. In 2023, the "Mag 7" returned almost 90%, outperforming the S&P 500 (which returned 26.3%) by an astounding 60%.

The PSRS/PEERS' investment portfolio has significant exposure to the "Mag 7," both through investments in passive U.S. stock index funds and through active investment managers who often invest in some or all of these companies. We have benefited significantly from an investment return standpoint as the "Mag 7" stocks have performed well above market expectations.

However, as those stocks have increased in value, PSRS/PEERS' investment managers have maintained less exposure to the "Mag 7" than the overall market. As of March 31, 2024, the "Mag 7" made up 19% of the PSRS/PEERS total U.S. stock portfolio compared to 29% of the S&P 500 Index.

Why?

While these companies have fueled significant gains, historical trends suggest caution. The PSRS/PEERS portfolio, though exposed to the "Mag 7," maintains a strategic underweight position. This approach aligns with historical data showing that underweighting concentrated mega-cap stocks often yields favorable long-term results. As the market potentially shifts away from concentration, a more diversified basket of U.S. stocks, similar to the PSRS/PEERS' portfolio, stands well-positioned for sustained performance.

Typically, the largest stocks grow by becoming "expensive," rising in price faster than the rest of the market. So active managers are almost always underweight the very largest (and most expensive) stocks in the opportunity set. During periods of increasing market concentration, the prices of these stocks (like the "Mag 7") often rise more quickly than their earnings do.

One measure of value for stocks is the price-earnings (PE) ratio, a measure of how much an investor must pay for each dollar of a company's earnings. The collective PE of the "Mag 7" was 44 as of March 31, 2024. This compares to an overall stock market PE of 25. Therefore, the "Mag 7" stocks were nearly twice as expensive as the average stock.

Historically, when the stock market is dominated to this extent by a small group of companies, an "investment bubble" tends to occur followed by a bursting of that bubble. The PE multiple of today's "Mag 7" is approaching the PE for the biggest "Nifty 50" stocks in 1972 (which had a PE of 56),

and for technology stocks during the internet bubble of 2000 (which had a PE of 62). These periods signaled market tops and stock prices eventually fell precipitously. Data going back to 1957 shows that a bet against the 10 largest S&P stocks has been a safe one, with nine of those 10 companies underperforming over the subsequent 10 years.

Summary

A steady investment philosophy and a diversified portfolio allow the Systems to produce consistent investment returns. In some instances, the diversification will lead to a portfolio that is not as concentrated in the highest-performing stocks of the day ("Magnificent Seven"). However, over the long-term, we believe this philosophy will provide the Systems with the best opportunity to support the benefits of the PSRS/PEERS membership.

The Systems' long-term investment objective (actuarial assumption)¹ is 7.3% per year. We will not achieve that return goal every year but expect to meet or exceed that return over long periods of time. For example, the total plan return of 8.1% over the last 10 years exceeds both the historical long-term investment objective (actuarial assumption) and the total plan policy benchmark return² of 6.9%.

The market value of invested assets for PSRS and PEERS combined was approximately \$58 billion on March 31, 2024, making the joint entity larger than all other public retirement plans in Missouri combined, and the 44th largest defined benefit plan in the United States. For the most recent PSRS/PEERS investment news, visit us on the web at www.psrs-peers.org

¹ The Board of Trustees' long-term investment return objective of 7.3% was adopted and became effective July 1, 2021.

² The plan policy benchmark is a standard to measure investment performance and indicates the return of the PSRS/PEERS asset allocation if passive market rates of return were achieved.

PSRS/PEERS Board Welcomes New Trustees Moore and Bryant; Re-Elected Trustee Webb

Following an uncontested election, the Board approved the addition of Dr. Nate Moore to the Board of Trustees at their April meeting. He is joined alongside the return of two familiar faces, Chuck Bryant and Katie Webb.



Dr. Nate Moore and incumbent Board member Katie Webb were the only two who completed the required filing qualifications to be candidates for Board seats. With two open seats and two qualified candidates, no election was required. They will both begin four-year terms as trustees starting July 1, 2024, and serve through June 30, 2028.

Dr. Moore currently serves as assistant superintendent/CFO for the Branson School District, a position he has held since July 2020.

With 24 years of experience in public education, Moore has been a classroom teacher, coach, building principal, superintendent and assistant superintendent. Prior to joining Branson Schools, Moore served as superintendent in the Mansfield R-IV School District for eight years.

“I am deeply honored to have been selected by my peers to serve on the PSRS/PEERS Board and am eager to contribute my skills and expertise to this vital organization,” Dr. Moore said. “I look forward to working collaboratively with my fellow Board members to ensure the long-term financial well-being of those who have dedicated their careers to shaping future generations.”



Katie Webb

Webb is a K-5 music teacher at Mark Twain Elementary in Hannibal, Missouri. She also served as administrative intern at Veterans Elementary during the summer of 2022 where her responsibilities included preparing curriculum, creating referral forms and handling student discipline situations.

“The Board welcomes Dr. Moore as he takes his seat along with his fellow PSRS/PEERS trustees,” said Board Chair Dr. Jason Steliga. “Dr. Moore’s experiences provide him with an excellent base of knowledge as he navigates his responsibility of being a new trustee on the Board. I also welcome Katie’s continued presence and am excited to watch her continued growth as a trustee.”

“We are pleased to welcome Dr. Moore to our Board. His extensive knowledge and teaching experience, along with a fresh perspective will be an excellent addition. We are also happy to have Katie with us for another term. She is an exceptional trustee and great advocate for our members.”

— Dearth Snider, PSRS/PEERS Executive Director



Chuck Bryant

Governor Mike Parson reappointed Charles “Chuck” Bryant of Creve Coeur, Missouri, to the Board of Trustees in late 2023. This reappointment was duly confirmed by the Senate on January 30, 2024, signifying his return to the Board after his previous tenure from 2017-2019.

Mr. Bryant has over 25 years of institutional investment experience and currently serves as the director of consultant relations and institutional sales for Kennedy Capital Management in St. Louis, Missouri. “We are pleased to have Chuck’s insights and unparalleled expertise of investments as an addition to our Board,” said Dearth Snider, PSRS/PEERS executive director.

Board Sets Interest Rates; Names Leadership

Interest on Contributions

At their April meeting, of the PSRS/PEERS Board of Trustees voted to maintain the interest rate active members earn on their contributions at 4% for the 2024-2025 school year. The interest rate is based on interest rates for deposit accounts and short-term securities.

Interest is credited June 30 each year on the total contributions and interest in a membership, as of the previous June 30. This occurs until the membership is closed. Memberships are closed due to retirement, a refund of a member’s contributions and interest, the death of the member, or when the member is not vested and is out of covered employment for five consecutive school years.

The interest rate has no impact on the amount of retirement benefits. Interest is paid out through lump-sum payments made to members who request refunds of their contributions and the interest earned on those contributions, and to the beneficiaries of deceased members.

Interest on Reinstatements and Service Purchases

The Board voted to maintain the interest rate charged on the reinstatement of previously forfeited service and applicable service purchases at 7.3%. This is the Systems’ target rate of return on investments.

Steliga and Knes Re-Elected to Leadership Positions



Dr. Jason Steliga

Additionally, at the April Board meeting, trustees voted to re-elect Dr. Jason Steliga to serve as chair and Beth Knes to serve as vice chair for the 2024-2025 school year (July 1, 2024, to June 30, 2025).

Dr. Steliga, an elected PSRS member, joined the Board in 2015. He has over 20 years of teaching experience and is presently teaching at Park Hill South High School in Riverside, Missouri.



Beth Knes

Knes is a governor-appointed trustee who joined the Board in 2017. She retired in 2014 with more than 20 years of service in public education.

“It has been an honor to have Jason and Beth serve on our Board. Their commitment is commendable, and I have full confidence that they will continue their dedicated service,” said PSRS/PEERS Executive Director Dearth Snider.

Joe Susai Named Chief Information Security Officer



Joe Susai

Joe Susai, of St. Louis, MO, joined PSRS/PEERS on April 3, 2024, as the System’s chief information security officer (CISO). He leads the cybersecurity department from the Jefferson City office and provides strategic and operational oversight for the security program.

Mr. Susai has an extensive professional background in information technology, cybersecurity and IT risk management. He joins us from Washington University School of Medicine, in St. Louis, MO, where he served as the chief information security officer.

Prior to his time with Washington University, Mr. Susai spent the majority of his distinguished career with SSM Health, culminating his tenure there as the director of enterprise information risk and cybersecurity, as well as head of IT security.

“Being a part of the highly dedicated leadership and staff at PSRS/PEERS as a cybersecurity leader is more than a career move, it is a purposeful and meaningful opportunity to play a critical role in protecting the financial future of those who dedicated their lives to education,” expressed Mr. Susai.

“I am confident that Joe’s expertise and extensive technical experience will be an excellent addition to the Systems. We are fortunate to have him with us to ensure PSRS/PEERS’ high security standards,” said Executive Director, Dearth Snider.

How to Use Web Member Services



The quickest way to get the latest information about your membership is to view it online using Web Member Services, the PSRS/PEERS online, self-service membership information portal.

You can register for secure access to view and update your personal information anytime on our website, www.psr-peers.org. Just use the *Member Log In* link at the top right corner of the screen.

In Web Member Services you can:

- Update your contact information
- Set your communications preferences
- Update your direct deposit and income tax withholding

- View or update your beneficiary designations
- View a benefit summary
- Get cost-of-living adjustment information
- Upload documents
- View an archive of your annual *Benefit Statements* and IRS 1099-R tax forms
- View documents our specialists share with you

Embrace the simplicity of having your membership information at your fingertips. Register for Web Member Services access today!

Working After Retirement: Facts at a Glance

Working as a retiree for a PEERS-covered employer can be rewarding and beneficial for you and your employer. You can work on a part-time or temporary-substitute basis for a covered employer with a limit on the number of hours you can work each school year.

Please note that the work limit on part-time or temporary work as a substitute teacher is currently waived through June 30, 2025. If you are unsure whether your work falls under this waiver, please contact us at (800) 392-6848.

What if I retire in a month other than July?

If you retire in any month other than July, the work limit is pro-rated (lower) during the first school year after retirement. We will contact you with your personal limit, based on your retirement date.

Do I need to notify PEERS of my plans to return to work?

No, once you are reported by your employer as working post-retirement, we will contact you with information about your specific limit and provide you a *Working After Retirement Record* form on which to track your work.

It is important to communicate with your employer to understand how they are tracking your work and that your records reflect that. If they don't, we consider the employer's records official. If your work exceeds the limit, it can result in the loss of benefits.

You can view the work reported by your employer by logging in to Web Member Services at www.psr-peers.org.

I teach for a public two-year college, and I am paid by the credit hour. How do I determine the number of clock hours to report?

You must convert the credit hours you teach to clock hours in order to track your progress against this limit. The simple conversion is one credit hour equals 30 clock hours.

Can I volunteer?

If you volunteer for the same employer while also holding a paid position with an hourly work limit, those volunteer hours will be included in your total work hours if the tasks you perform during volunteering and work are essentially performing the same function.

To learn more, visit the *Working After Retirement* page on our website.

The Top Six Things Every Retiree Should Do



Whether you're just starting your transition into retirement, or you have been enjoying it for many years, it is important to stay informed about your retirement benefits.

We spoke with our expert PEERS benefit counselors to form a list of the top six things every retired PEERS member should do. Take a moment to review the list and see how many you have completed.

1

Review your *Benefit Statement* Each Year:

Each January, benefit recipients receive their annual *Benefit Statement*. Even in retirement, it's essential to stay informed about your membership and to ensure your contact information, beneficiaries and tax withholding are correct. Your statement also provides information on your benefits and any cost-of-living adjustments you have received.

4

Sign Up for Electronic Communication:

Going paperless is easy. Simply log in to Web Member Services at www.psr-peers.org and select *My Profile* at the top of the screen. From there, select *Change Communication Preferences* to select electronic delivery options for your newsletters, annual *Benefit Statements*, Board of Trustees meeting summaries and other PEERS news.

2

Understand Your Working After Retirement Limits:

If you are working for a covered employer as a retiree, or even if you are simply considering doing so, it is important to be aware of the limits on working after retirement. Understanding the limits will help you avoid the potential loss of earnings or benefits, and make informed decisions about post-retirement employment and volunteering opportunities.

5

Understand Cost-of-Living Adjustments:

It's important to understand when you are eligible to first receive a cost-of-living adjustment (COLA), how they are calculated and when they are applied for eligible recipients if granted by the PSRS/PEERS Board of Trustees.

6

Keep Beneficiaries Up to Date:

Similar to pre-retirement, keeping post-retirement beneficiaries up to date is essential to ensure any benefits payable to your loved ones are distributed according to your wishes.

3

Use Web Member Services:

Leveraging online resources like Web Member Services provides you with easy access to essential benefit information including your direct deposit, tax withholding and beneficiary designations. You can also see a payment history and if you are working for a covered employer, you can see the work your employer has reported toward your working after retirement limits. Log in or create an account today at www.psr-peers.org.

Easily Update Your Tax Withholding



Did you know that you can change your federal or Missouri tax withholding at any time? Whether you're a federal or Missouri taxpayer, you can adjust your withholding whenever you need to. Simply log in to Web Member Services at www.psrs-peers.org. With just a few clicks, you can modify your withholding to better suit your needs. Alternatively, you can find the appropriate tax withholding forms on the *Forms* page of our website.

The Importance of the **Release of Information Authorization** Form

The **Release of Information Authorization** form can play a crucial role in allowing us to communicate about your benefit information effectively in the event that you are not able to contact us.

The **Release of Information Authorization** form specifically gives access to any member information requested by the authorized person or organization listed. This ensures seamless communication with PEERS and enables us to manage inquiries or issues regarding your benefits, despite your physical absence. The form is effective for 24 months after the start date you request and can be resubmitted after 24 months to renew the authorization.

Examples of when this form could be used:

- During extended absences such as military deployments, prolonged travel or disability
- When significant life events like marriage, divorce or remarriage may necessitate a review of your financial arrangements

Keeping the **Release of Information Authorization** form up to date guarantees that relevant individuals have access to the necessary information. Additionally, you do have the ability to revoke this form if necessary. Please contact us to do so.

While completing this form is optional, it serves as a proactive measure to enhance accessibility and enable effective communication. You can find this form on our website or get one by contacting our office.

Please note that this form only provides access to a member's information and is not interchangeable for a Power of Attorney.

Update Your Beneficiaries

If you selected the Single Life or a Term-Certain benefit plan, or you receive disability benefits, you can update your beneficiary designation at any time by logging in to Web Member Services at www.psrs-peers.org.

If you selected a Joint-and-Survivor benefit plan at retirement, you can only change your beneficiary for monthly benefits if you named your spouse and that spouse passes away or you divorce.

However, you can change your beneficiary named to receive any remaining balance of contributions and interest in your membership if both you and your beneficiary for monthly benefits pass away before those funds are depleted. Just log in to Web Member Services or contact us for a paper form.

Volunteering for PEERS-Covered Employers: Making a Difference Beyond Retirement

Retirement often marks the end of one chapter and the beginning of another. For retirees, this transition opens doors to new opportunities, including the chance to give back through volunteering.

Unlike traditional employment, retirees can volunteer for an unlimited amount of time for PEERS-covered employers without affecting their benefits. This means retirees can dedicate their time and skills to causes they are passionate about without worrying about financial repercussions. However, it's essential to understand the guidelines surrounding volunteering. In some cases, volunteering is considered work for retirement purposes, and can count against your hourly work limit, causing you to unknowingly exceed that limit and lose benefits.

Understanding when volunteering is considered "work" is crucial, especially for retirees who engage in both activities for the same employer.

- If the volunteer work mirrors paid duties or serves essentially the same function, it is not considered volunteering and counts towards the 550-hour work limit.
- If the volunteer tasks differ significantly from paid responsibilities, only the hours spent on paid work contribute to the limit.

Despite these considerations, many PEERS retirees find immense fulfillment in volunteering after retirement. Whether it's mentoring students, assisting teachers or supporting administrative tasks, retirees bring valuable skills and experience to the table. If you are not sure of the guidelines surrounding volunteering or working after retirement, please feel free to contact us.





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Have a Question? Chat with DB, Our ChatBot

If you have general questions about your membership or benefits and are having trouble finding what you need, try chatting with DB, our ChatBot. Just click the question mark at the bottom right corner of any page on our website, www.psr-peers.org, to start a chat.

DB is an automated chatbot trained to answer general questions about PEERS. Please remember, while this communication is secure, we don't recommend including any personally identifiable information in this type of chat session, such as Social Security numbers or banking information.

If you have specific questions about your membership, please log in to Web Member Services and use our Live Chat option, which connects you to one of our Information Center Specialists. Of course, we are also available to assist you by phone or email. If you prefer, you can sign up for web or in-person individual counseling appointments by selecting *Counseling* in Web Member Services or by calling our office at (800) 392-6848.

Contact Us

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